

## STATE OF SOUTH CAROLINA

Annual Review of Purchased Gas Adjustment and  
Gas Purchasing Policies of South Carolina Electric &  
Gas Company

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

## COVER SHEET

DOCKET

NUMBER: 2008 - 5 - G

(Please type or print)

Submitted by: K. Chad BurgessSC Bar Number: 69456Address: SCANA Corp.Telephone: 803-217-81411426 Main Street MC 130Fax: 803-217-7931Columbia, SC 29201

Other: \_\_\_\_\_

Email: chad.burgess@scana.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

## DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: \_\_\_\_\_

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other: <i>OK Duke</i>
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	<i>OK O. Decker</i>
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

RETURN DATE: *OK Duke*  
SERVICE: *OK O. Decker*



K. Chad Burgess  
Senior Counsel

chad.burgess@scana.com

May 13, 2008

**VIA HAND DELIVERY**

The Honorable Charles Terreni  
Chief Clerk/Administrator  
**South Carolina Public Service Commission**  
101 Executive Center Drive (29210)  
Post Office Drawer 11649  
Columbia, South Carolina 29211

RECEIVED  
2008 MAY 13 AM 11:59  
SC PUBLIC SERVICE  
COMMISSION

RE: Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of  
South Carolina Electric & Gas Company  
Docket No. 2008-5-G

Dear Mr. Terreni:

Enclosed for filing, on behalf of South Carolina Electric & Gas Company is the direct testimony of Martin K. Phalen, James E. Swan IV, Rose Jackson, and Harry L. Scruggs. Please accept the original and twenty-five (25) copies of each for filing. Additionally, please acknowledge your receipt of these documents by file-stamping the extra copies that are enclosed and returning them to us via our courier.

By copy of this letter, we are serving counsel for the South Carolina Office of Regulatory Staff with a copy of the enclosed direct testimony and attach a certificate of service to that effect.

If you have any questions regarding this matter, please advise.

Very truly yours,

  
K. Chad Burgess

KCB/kms  
Enclosures

cc: Shannon Bowyer Hudson, Esquire  
Shealy Boland Reibold, Esquire  
(all hand delivery with enclosures)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2008-5-G**

**RECEIVED**  
**2008 MAY 13 AM 11:59**  
**SC PUBLIC SERVICE**  
**COMMISSION**

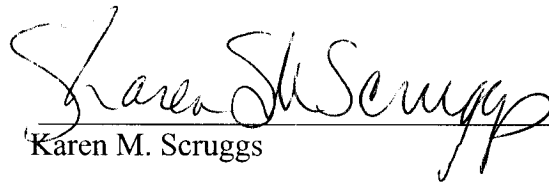
IN RE:

Annual Review of Purchased Gas )  
Adjustment and Gas Purchasing Policies )  
of South Carolina Electric & Gas Company )  
\_\_\_\_\_ )

**CERTIFICATE**  
**OF SERVICE**

This is to certify that I have caused to be served this day ten (10) copies of South Carolina Electric & Gas Company's **Testimony of Martin K. Phalen, James E. Swan IV, Rose Jackson and Harry L. Scruggs** via hand delivery to the persons named below at the address set forth:

Shannon Bowyer Hudson, Esquire  
Shealy Boland Reibold, Esquire  
**Office of Regulatory Staff**  
1441 Main Street, Suite 300  
Columbia, SC 29201

  
\_\_\_\_\_  
Karen M. Scruggs

Columbia, South Carolina  
This 13th day of May 2008

**DIRECT TESTIMONY OF  
HARRY L. SCRUGGS  
ON BEHALF OF  
SOUTH CAROLINA ELECTRIC & GAS COMPANY  
DOCKET NO. 2008-5-G**

RECEIVED  
2008 MAY 13 PM 12:00  
SC PUBLIC SERVICE  
COMMISSION

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. Harry L. Scruggs, 1426 Main Street, Columbia, South Carolina

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am a Lead Rate Analyst in the Gas Rates Department of SCANA Services, Inc.

**Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.**

A. I am a 1979 graduate of Erskine College where I received a Bachelor of Arts Degree in Mathematics. I was hired in June of that year by Carolina Pipeline Company as a gas control operator where I worked seven years. In August 1986, I went to work for South Carolina Electric & Gas ("SCE&G") as an analyst in its Load Research Department. In February 1988, we formed the Gas Rates Department. In February 2007, I was assigned to my current position. I have developed and assisted in the development of cost of service studies, gas cost recovery mechanisms, allocation methodologies, rate analyses, and rate design.

**Q. HAVE YOU EVER TESTIFIED BEFORE THIS COMMISSION?**

A. Yes, on a number of occasions.

1 **Q. WILL YOU BRIEFLY SUMMARIZE THE DUTIES YOU PERFORM FOR**  
2 **SCE&G?**

3 A. I am responsible for the preparation and oversight of gas cost of service  
4 studies, gas rate design, gas quarterly return on common equity filings and gas  
5 cost analyses.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
7 **PROCEEDING?**

8 A. The purpose of my testimony is to 1) support the Company's gas cost  
9 recovery mechanism and answer questions concerning its operation and  
10 performance and, 2) support the cost of gas data, including the over / under  
11 collection amount, for the period under review in this proceeding, which is March  
12 2007 through February 2008 ("Review Period").

13 **Q. PLEASE DESCRIBE THE COMPANY'S COST OF GAS RECOVERY**  
14 **MECHANISM (PGA) AS CURRENTLY ADMINISTERED BY SCE&G.**

15 A. SCE&G sets the gas cost factor for each customer class each month using a  
16 rolling 12-month forecast of both demand and commodity related inputs. SCE&G  
17 updates its cost of gas forecast each month using the new, New York Mercantile  
18 Exchange ("NYMEX") prices as well as the hedging effect for each of the next 12  
19 months. SCE&G uses the NYMEX closing prices for a date selected by the  
20 Company allowing the revised rates to be filed in time to notify the Commission  
21 before the first billing cycle of the next month. The forecast is reviewed and  
22 updated as necessary to reflect current assessments of anticipated industrial  
23 margins, capacity release credits, dollar effect of hedging and firm sales levels.

1 The recalibrated 12-month recovery factor, adjusted to zero-out any prior month's  
2 over or under recovery over the 12-month period, sets the gas cost recovery factors  
3 for the up-coming month. After notifying the Commission, the new factors are  
4 implemented by the first billing cycle of the month.

5 **Q. WHAT ARE THE UPDATED DEMAND COST OF GAS ALLOCATORS?**

6 A. The Company reviews the demand charge cost of gas (DCOG) allocation  
7 factors each year at the time of the PGA docket and updates those to reflect  
8 current forecasts. These DCOG allocators are based on a weighting of 50%  
9 forecast sales and 50% forecast peak design day demand. The forecast peak design  
10 day for the upcoming 2008-2009 winter is 365,370 MCF or 374,504 dekatherms  
11 after adjusting for system losses. This figure is used for capacity planning  
12 purposes as illustrated in the testimony and exhibits of Supply witness Rose  
13 Jackson. Based on the latest annual sales and demand forecasts, the new allocation  
14 factors will be 66.84% for Residential, 29.95% for Small General Service/Medium  
15 General Service (SGS/MGS) and 3.21% for Large General Service (LGS).  
16 SCE&G plans to make these new DCOG allocation factors effective as of  
17 November 1, 2008.

18 **Q. WHAT IS THE COMPANY'S CURRENTLY APPROVED RATE FOR**  
19 **COST OF GAS?**

20 A. As of this filing, cost of gas factors approved by the Commission for May  
21 2008 for SCE&G are \$1.21177 per therm for Residential, \$1.15074 per therm for  
22 SGS/MGS and \$1.18638 per therm for LGS. The above gas cost factors reflect a  
23 Firm Commodity Benchmark for all firm customer classes of \$1.00951 per therm.

1 Under the provisions of Order No. 2006-679, SCE&G is allowed to make  
2 monthly adjustments in PGA factors as conditions change. During the Review  
3 Period, SCE&G has adjusted the factors authorized in Order No. 2006-679 both up  
4 and down. On average, per therm, the PGA factors charged during the Review  
5 Period were \$1.14964 for Residential, \$1.06570 for SGS/MGS and \$1.06112 for  
6 LGS. The above gas cost factors reflect an average Firm Commodity Benchmark  
7 for all firm customer classes of \$0.89102 per therm.

8 **Q. DURING THE PERIOD UNDER REVIEW, HAS SCE&G ADMINISTERED**  
9 **THE PGA IN ACCORDANCE WITH THE TERMS OF ORDER NO. 2006-**  
10 **679?**

11 A. Yes. During the Review Period, SCE&G has carefully followed the terms of  
12 Order No. 2006-679, and where applicable other Commission orders and directives.  
13 The results are set forth on Exhibit No. \_\_\_\_ (HLS-1). This exhibit has been prepared  
14 in accordance with the applicable Commission orders and accurately reflects  
15 administration of the PGA under the terms and conditions established by the  
16 Commission.

17 **Q. PLEASE EXPLAIN EXHIBIT NO. \_\_\_\_ (HLS-1).**

18 A. Exhibit No. \_\_\_\_ (HLS-1) shows monthly over and under collections  
19 experienced by SCE&G in administering the PGA during the period under review.  
20 This exhibit shows that SCE&G entered the period under review with an under  
21 collection of \$5,823,077. As of the end of March 2008, there is an over-collection  
22 of \$13,736,357.

1 **Q. PLEASE EXPLAIN THE ADJUSTMENT MADE IN JANUARY 2008 AND**  
2 **REFLECTED IN COL. 7 OF EXHIBIT NO. \_\_\_\_ (HLS-1).**

3 A. This adjustment is a credit resulting from the accumulation of municipal fee  
4 payments collected over an extended period of time. The basis for the adjustment  
5 is discussed and explained in the pre-filed testimony of Company witness James  
6 E. Swan, IV. Consistent with SCE&G's letter request dated December 20, 2007  
7 and Commission Order No. 2008-49, the total amount of this adjustment was  
8 credited to the under collection balances for the residential and small general  
9 service customer groups. The Residential customer class received a credit in the  
10 amount of \$7,198,282, and the SGS/MGS customer class received a credit of  
11 \$3,300,962.

12 **Q. PLEASE EXPLAIN EXHIBIT NO. \_\_\_\_ (HLS-2).**

13 A. Exhibit No. \_\_\_\_ (HLS-2) shows a summary of the monthly forecast of gas  
14 cost components and the resulting monthly over and under collection levels. The  
15 end of period balance is zero showing that the forecast gas cost factors will  
16 eliminate the projected over-under collection amounts by the end of the forecast  
17 period ending April 2009.

18 **Q. WHAT IS SCE&G REQUESTING IN THIS PROCEEDING?**

19 A. SCE&G respectfully requests that the Commission find that the Company  
20 has recovered its gas costs for the Review Period consistent with its tariffs and  
21 Commission orders and that it has purchased its gas supplies and administered the  
22 PGA in a prudent and reasonable manner.



1    **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

2    A.    Yes.

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY**  
**PURCHASE GAS ADJUSTMENT**  
**OVER/UNDER COLLECTION**

	COMM. COST PER THERM (COL. 1)	BILLING COMM. COST PER THERM (COL. 2)	DIFFERENCE (COL. 3) (1-2)	FIRM SALES THERMS (COL. 4)	COMMODITY (OVER)UNDER COLLECTION (COL. 5) (3x4)	DEMAND (OVER)UNDER COLLECTION (COL. 6)	COMMODITY AND DEMAND PRIOR MTH ADJ.'S (COL. 7)	TOTAL MONTHLY (OVER)UNDER COLLECTION (COL. 8) (5+6+7)	CUMULATIVE (OVER)UNDER COLLECTION (COL. 9)
<b>BEGINNING BALANCE -</b>									
MAR 07 Actual	\$0.58741	\$0.92764	(\$0.34023)	26,924,211	(\$9,152,442)	(\$202,610)	(\$895)	(\$9,355,946)	(\$3,532,869)
APR 07 Actual	\$0.80485	\$0.95766	(\$0.15281)	14,883,441	(\$2,276,321)	\$2,022,807	\$0	(\$253,514)	(\$3,786,383)
MAY 07 Actual	\$0.61157	\$0.95766	(\$0.34609)	10,724,520	(\$3,730,795)	\$2,405,684	\$0	(\$1,325,111)	(\$5,111,495)
JUN 07 Actual	\$0.67166	\$0.95766	(\$0.28600)	2,745,376	(\$816,078)	\$2,504,321	(\$19)	\$174,156	(\$4,937,337)
JUN 07 Actual	\$0.67166	\$0.96056	(\$0.28890)	5,240,764	(\$1,514,068)				
				7,986,140	(\$2,330,146)				
JUL 07 Actual	\$0.66129	\$0.96056	(\$0.29927)	7,067,965	(\$2,154,228)	\$2,384,862	\$1,902,941	\$2,133,575	(\$2,803,761)
AUG 07 Actual	\$0.60699	\$0.85744	(\$0.25045)	6,960,781	(\$1,788,393)	\$2,789,929	\$0	\$1,001,536	(\$1,802,226)
SEP 07 Actual	\$0.75207	\$0.83599	(\$0.08392)	6,600,390	(\$601,887)	\$2,070,419	\$0	\$1,468,533	(\$333,693)
OCT 07 Actual	\$0.79822	\$0.83599	(\$0.03777)	7,369,745	(\$326,766)	\$3,057,019	\$0	\$2,730,253	\$2,396,560
NOV 07 Actual	\$1.24117	\$0.82334	\$0.41783	14,189,903	\$5,892,047	\$315,884	\$0	\$6,207,931	\$8,604,491
DEC 07 Actual	\$0.90258	\$0.84617	\$0.05641	23,438,526	\$1,304,153	(\$2,377,191)	\$0	(\$1,073,038)	\$7,531,453
JAN 08 Actual	\$1.19593	\$0.84294	\$0.35299	33,096,684	\$11,773,031	(\$5,478,631)	(\$10,540,218)	(\$4,245,819)	\$3,285,634
FEB 08 Actual	\$0.68360	\$0.88633	(\$0.20273)	34,399,896	(\$6,959,882)	(\$3,042,418)	\$0	(\$10,002,300)	(\$6,716,666)
MAR 08 Actual	\$0.74676	\$0.95673	(\$0.20997)	24,940,346	(\$5,133,948)	(\$1,885,742)	\$0	(\$7,019,691)	(\$13,736,357)

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY**  
**PROJECTED COMMODITY AND DEMAND COSTS**  
**(OVER)/UNDER COLLECTION**

	COMM COST PER THERM (COL. 1)	BILLING COMM COST PER THERM (COL. 2)	DIFFERENCE (COL. 3)	FIRM SALES THERMS (COL. 4)	COMMODITY (OVER)UNDER COLLECTION (COL. 5)	DEMAND (OVER)UNDER COLLECTION (COL. 6)	TOTAL (OVER)UNDER COLLECTION (COL. 7)	CUMULATIVE TOTAL (OVER)UNDER COLLECTION (COL. 8)
BEGINNING BAL. @ April 08								
May-08	\$0.77569	\$1.00951	(\$0.23382)	10,984,754	(\$2,568,414)	\$2,022,675	(\$545,739)	(\$15,156,999)
Jun-08	\$0.82339	\$1.00951	(\$0.18611)	8,243,161	(\$1,534,146)	\$2,546,226	\$1,012,080	(\$14,690,658)
Jul-08	\$0.86714	\$1.00951	(\$0.14236)	7,328,947	(\$1,043,378)	\$2,675,028	\$1,631,650	(\$13,059,008)
Aug-08	\$0.81892	\$1.00951	(\$0.19058)	7,171,181	(\$1,366,709)	\$2,704,642	\$1,337,932	(\$11,721,076)
Sep-08	\$1.04529	\$1.00951	\$0.03579	7,321,062	\$261,987	\$2,743,843	\$3,005,830	(\$8,715,246)
Oct-08	\$1.16314	\$1.00951	\$0.15363	8,502,520	\$1,306,256	\$2,650,738	\$3,956,994	(\$4,758,251)
Nov-08	\$1.48739	\$1.00951	\$0.47789	15,392,734	\$7,355,978	\$1,318,470	\$8,674,448	\$3,916,197
Dec-08	\$1.40644	\$1.00951	\$0.39693	29,361,185	\$11,654,437	(\$1,346,628)	\$10,307,809	\$14,224,006
Jan-09	\$1.05406	\$1.00951	\$0.04455	42,210,496	\$1,880,501	(\$3,850,914)	(\$1,970,413)	\$12,253,593
Feb-09	\$0.94626	\$1.00951	(\$0.06325)	38,224,920	(\$2,417,600)	(\$3,008,608)	(\$5,426,208)	\$6,827,385
Mar-09	\$0.90282	\$1.00951	(\$0.10668)	28,469,806	(\$3,037,231)	(\$1,188,019)	(\$4,225,250)	\$2,602,134
Apr-09	\$0.78811	\$1.00951	(\$0.22140)	16,282,734	(\$3,604,958)	\$1,002,825	(\$2,602,133)	\$0